

Message Text

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ACTION NEA-10

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FM AMEMBASSY DACCA
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INFO AMEMBASSY ISLAMABAD
AMEMBASSY NEW DELHI
AMCONSUL HONG KONG
USLO PEKING

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PASS AID/ASIA/BIS

E.O. 11652: N/A
TAGS : EAID, CH, BG
SUBJECT : PRC TO BUILD FERTILIZER PLANT IN BANGLADESH

1. SUMMARY. THE PRC HAS ANNOUNCED ITS AGREEMENT IN PRINCIPLE TO BUILD A FERTILIZER PLANT IN BANGLADESH WITH A PRODUCTION CAPACITY OF 160 MT/DAY OF ANMONIA AND 300 MT/DAY OF UREA. WHILE THIS PROJECT, USING READILY AVAILABLE NATURAL GAS, WILL REDUCE HEAVY RELIANCE ON IMPORTS TO MEET BANGLADESH'S GROWING FERTILIZER NEEDS, SOME EXPERTS QUESTION COST EFFECTIVENESS OF A PLANT OF THIS SIZE. APPARENT LACK OF A TRAINING COMPONENT MAY BE ANOTHER SHORTCOMING. END SUMMARY.

1. ALTHOUGH LOCATION OF THE NEW PLANT HAS NOT BEEN OFFICIALLY ANNOUNCED, BDG OFFICIALS SAY THAT IT WILL BE CONSTRUCTED AT GHORASAL, ADJACENT TO A JAPANESE-BUILT UREA PLANT WHICH HAS BEEN OPERATING SINCE 1970. THE PROPOSED PLANT IS THE FIRST PROJECT TO BE ANNOUNCED UNDER THE TECHNICAL COOPERATION AGREEMENT SIGNED DURING
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 DACCA 01511 110807Z

ING PRESIDENT ZIA'S VISIT TO PEKING IN JANUARY 1977. UNDER THE TERMS OF THAT AGREEMENT A CHINESE TECHNICAL TEAM ARRIVED HERE IN OCTOBER 1977 TO CONDUCT A FEASIBILITY STUDY AND EXAMINE POTENTIAL SITES. THE TEAM WILL REMAIN FOR AT LEAST ANOTHER EIGHT MONTHS TO COMPLETE PRELIMINARY DESIGN WORK AND FORMULATE COST ESTIMATES

3. THE PROPOSED PLANT WILL HAVE APPROXIMATELY THE SAME PRODUCTION CAPACITY AS THE JAPANESE-BUILD PLANT AT FENCHUGANJ (325 MT/DAY OF UREA), THOUGH CONSIDERABLY LESS THAN THE EXISTING GHORASAL PLANT (1000 MT/DAY OF UREA) AND THE PLANT BEING CONSTRUCTED AT ASHUGANJ (1400 MT/DAY OF UREA). FOREIGN OFFICIALS ADVISING THE BDG ON FERTILIZER PRODUCTION AND DISTRIBUTION QUESTION WHETHER A PLANT OF THIS RELATIVELY SMALL SIZE WILL BE COST EFFECTIVE, IN VIEW OF HIGHER PRODUCTION COSTS PER UNIT OF OUTPUT. BDG OFFICIALS CLAIM THAT LOCATING THE PLANT NEXT TO THE EXISTING ONE AT GHORASAL WILL SAVE ON INFRASTRUCTURE COSTS. HOWEVER OUTLAYS FOR TRANSPORTATION OF THE PRODUCT TO AREAS WHERE IT WILL BE MARKETING (PARTICULARLY IN WESTERN BANGLADESH) COULD EASILY OFFSET ANY SUCH SAVINGS.

4. ASIDE FROM COST CONSIDERATIONS, TO BE VIABLE THE PLANT WILL HAVE TO OVERCOME MANAGEMENT AND OPERATIONAL PROBLEMS ENCOUNTERED BY EXISTING PLANTS. THESE PROBLEMS HAVE LIMITED PRODUCTION TO 63 PERCENT OF CAPACITY AT GHORASAL AND 68 PERCENT AT FEBCHUGANJ. PRODUCTION AT THESE PLANTS HAS SUFFERED FROM A DEARTH OF QUALIFIED TECHNICIANS (DUE LARGELY TO MIGRATION TO THE MIDDLE EAST) AND EXPERIENCED PLANT MANAGERS. GIVEN THE USUAL CHINESE APPROACH TO TECHNICAL ASSISTANCE PROJECTS, WHEREIN

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PAGE 03 DACCA 01511 110807Z

THEY PERFORM ALL DESIGN, PREPARATION AND CONSTRUCTION WORK AND LEAVE SUBSEQUENT MANAGEMENT OF THE FACILITY ENTIRELY TO THE RECEIVING COUNTRY, THE RWNERAL SHORTAGE OF TRAINED PERSONNEL MAY POSE SIGNIFICANT PROBLEMS FOR THE PROPOSED PLANT AS WELL.

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